

ISSUE DATE: February 29, 1996

DOCKET NO. G-007/M-95-896

ORDER APPROVING RECOVERY OF NMU'S LOST MARGINS AND BONUS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs  
Tom Burton  
Marshall Johnson  
Dee Knaak  
Don Storm

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Northern  
Minnesota Utilities, a Division of UtiliCorp  
United Inc., for Recovery of Lost Margins and  
Shareholder Incentives

ISSUE DATE: February 29, 1996

DOCKET NO. G-007/M-95-896

ORDER APPROVING RECOVERY OF  
NMU'S LOST MARGINS AND BONUS

**PROCEDURAL HISTORY**

On August 30, 1995, Northern Minnesota Utilities, a Division of UtiliCorp United, Inc. (NMU or the Company) requested: (1) approval of its proposed methodologies for calculating lost margins and bonus; (2) approval to recover lost margins of \$30,358, and shareholder incentive of \$11,622 for calendar year 1993; and, (3) approval of a plan for evaluating its financial incentive pilot program.

On October 30, 1995, the Minnesota Department of Public Service ( the Department) recommended that the Commission approve parts of NMU filing but make modifications to other parts. Specifically, the Department recommended

- modifications to the way NMU calculates lost margins for some projects
- disallowance of lost margins or bonus for energy savings attributable to the replacement of electric equipment with gas equipment
- basing actual energy savings used to calculate lost margins for the Commercial Space Heating Rebate project on actual heating equipment rebated and the Department method of developing engineering estimates
- disallowance of lost margins or bonuses for indirect impact projects
- use of an adjusted goal to calculate the 1993 bonus for the Commercial Space Heating Rebate project
- deferral of the adjustment of NMU's CIP recovery factor until NMU files its annual CIP tracker account summary
- approval of NMU's proposed reporting schedule

- a finding by the Commission that NMU's evaluation plan and interim evaluation reports are no longer necessary.

On November 8, 1995, NMU filed reply comments indicating that it does not agree with each of the Department's recommendations. However, in order to resolve the docket, the Company proposed that the Commission adopt the Department's recommended level of compensation (i.e. lost margins and bonus) without ruling on the appropriateness of the Department's assumptions in determining that level of compensation.

On January 25, 1996, the Commission met to consider this matter.

## **FINDINGS AND CONCLUSIONS**

### **A. Level of Compensation**

NMU has accepted the Department's recommended levels for lost margins and bonus for 1993. Both parties have agreed to the Department's recommended levels and the Commission, upon its review, finds those levels reasonable. Accordingly, the Commission will adopt them.

### **B. Method for Calculating Lost Margins and Bonus**

NMU requested that the Commission adopt the Department's recommended level of compensation *without ruling on the appropriateness of the Department's assumptions in determining that level of compensation*. NMU commented that this does not appear to be the most appropriate docket for resolving these disputes.

The Commission is inclined to adopt this approach. Where the record prepares the Commission to make specific findings that will provide policy direction to the parties, these findings should be made. However, where the record is lacking or specific findings need not be made, the Commission may properly defer the questions to a more appropriate occasion. In this case, a decision regarding the methodology questions appears premature. Accordingly, the Commission will defer determination of those issues to future proceedings.

### **C. Evaluation Reporting Requirements**

The Department recommended that the Commission relieve NMU of all reporting requirements because the work group has done a combined evaluation of all financial incentives for gas utilities.

The Commission is not inclined to adopt this recommendation. At the time NMU files to extend its financial incentive beyond the pilot period, especially if it proposes modifications not based on the work group report, the Commission should be able to review the success of NMU's pilot incentive. To do this, some sort of evaluation report or justification of the newly proposed incentive might be useful. Accordingly, the Commission will require the Company, at the time it files to modify its pilot incentive, that it include an evaluation of the pilot incentive with the filing.

#### **D. The CIP Recovery Factor**

On December 28, 1995, NMU filed a petition to amend the February 21, 1995 Order approving its CIP recovery factor (in Docket No. G-007/M-94-1017). In its petition, NMU asked to modify the dates for filing its annual CIP tracker account summary and resource adjustment clause (RAC) true-up report for implementing the adjusted CIP recovery factor. Specifically, NMU asked to change the date for filing the CIP tracker account summary and RAC true-up report to February 28 of each year and to change the implementation of the new CIP recovery factor to the first billing period in June.

On February 29, 1996, the Commission issued its ORDER CHANGING COMPLIANCE DATES in that docket. Specifically, the Commission authorized NMU to file its annual CIP tracker account summary on February 28 of each year and established a target date for implementing the new CIP recovery factor in the first billing period in June. Accordingly, this current Order need not address those dates, but simply affirms them.<sup>1</sup>

#### **E. DSM Financial Incentive Report**

The parties have agreed to a proposed annual reporting schedule. Under this schedule, NMU would file its next financial incentive report on lost margins and bonus on or before March 31, 1996. The Commission finds that this schedule is reasonable and will approve it. NMU will be directed to file its next financial incentive report on lost margins and bonus on or before March 31, 1996.

---

<sup>1</sup> The Commission notes that the Department and NMU have agreed that no adjustment to the RAC should be made until the Commission reviews NMU's annual CIP tracker account summary and approves a specific adjustment.

## **ORDER**

1. The Commission hereby approves the level of compensation recommended by the Department (and agreed to by NMU) for lost margins and bonus for 1993 (\$28,594 and \$11,395 respectively) without ruling on the appropriateness of any of the Department's assumptions.
2. NMU shall file an evaluation of its pilot DSM financial incentive at the time it files to extend or to modify its existing incentive.
3. NMU shall file its DSM financial incentive report on or before March 31, 1996.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (612) 297-1200 (TDD/TTY) or 1 (800) 657-3782.